

**UNITED STATES DISTRICT COURT**

**DISTRICT OF MAINE**

**PIONEER PLASTICS CORPORATION,** )

**Plaintiff** )

**v.** )

**Civil No. 97-287-P-C**

**DECORAMA DO IT, INC.,** )

**Defendant** )

**RECOMMENDED DECISION ON DEFENDANT’S MOTION  
TO DISMISS FOR LACK OF PERSONAL JURISDICTION**

This case involves allegations of so-called “cybersquatting” — a phenomenon brought on by the advent of the Internet and, in particular, the World Wide Web. In the parlance of the Internet, a party is said to be cybersquatting when it reserves a domain name — the Internet equivalent of an address — that should really belong to another party. In this instance, a Maine corporation accuses a New York company of reserving a domain name in violation of federal and state trademark law. The defendant moves for dismissal under Fed. R. Civ. P. 12(b)(2) for lack of personal jurisdiction. According to the defendant, reserving a domain name in New York is insufficient to vest a court in Maine with *in personam* jurisdiction, notwithstanding the ubiquitousness of the Internet. I disagree, at least in the circumstances of this case, and accordingly recommend the denial of the defendant’s motion.

**I. Legal Context**

A court’s personal jurisdiction over a defendant must be premised on one of two theories: specific or general jurisdiction. *Foster-Miller, Inc. v. Babcock & Wilcox Canada*, 46 F.3d 138, 144

(1st Cir. 1995). Three basic questions underlie the determination as to both theories:

1) whether the [forum state's] long-arm statute authorizes jurisdiction; 2) whether the defendant has sufficient minimum contacts so that the exercise of jurisdiction does not offend due process; and 3) whether the exercise of jurisdiction is reasonable, and therefore does not offend due process.

*Noonan v. Winston Co.*, 1998 WL 29835 at \*3 (1st Cir. Feb. 2, 1998) (citation omitted). Maine's long-arm statute, 14 M.R.S.A. § 704-A, expressly directs courts to construe it in a manner that creates personal jurisdiction to the fullest extent permitted by the due process requirements of the federal Constitution. *Boit v. Gar-Tec Prods., Inc.*, 967 F.2d 671, 679 (1st Cir. 1992) (citations omitted).

“General jurisdiction exists when the litigation is not directly founded on the defendant's forum-based contacts, but the defendant has nevertheless engaged in continuous and systematic activity, unrelated to the suit, in the forum state.” *Foster-Miller*, 46 F.3d at 144 (citation and internal quotation marks omitted). If general jurisdiction is determined to be lacking, “the lens of judicial inquiry narrows to focus on specific jurisdiction,” which “requires weighing the legal sufficiency of a specific set of interactions as a basis for personal jurisdiction.” *Id.* (citation omitted). The inquiry as to specific jurisdiction proceeds in three stages:

First, the claim underlying the litigation must directly arise out of, or relate to, the defendant's forum-state activities. Second, the defendant's forum-state contacts must represent a purposeful availment of the privilege of conducting activities in the forum state, thereby invoking the benefits and protections of that state's law's and making the defendant's involuntary presence before the state's court foreseeable. Third, the exercise of jurisdiction must . . . be reasonable.

*Nowak v. Tak How Investments, Ltd.*, 94 F.3d 708, 712-13 (1st Cir. 1996) (quoting *United Elec. Workers v. 163 Pleasant St. Corp.*, 960 F.2d 1080, 1089 (1st Cir. 1992)) (other citations omitted).

When a defendant seeks dismissal under Rule 12(b)(2), the burden is on the plaintiff to

demonstrate the existence of *in personam* jurisdiction. *Boit*, 967 F.2d at 674-75 (citations omitted). If the relevant facts are essentially undisputed, it is appropriate for the court to employ a *prima facie* standard in evaluating the dismissal motion, rather than embarking on a more elaborate adjudicatory process. *Nowak*, 94 F.3d at 712. In such a case, the court's role is similar to the posture it would adopt in a summary judgment proceeding, accepting the plaintiff's properly documented factual assertions as true for purposes of determining whether the case should proceed to trial. *Foster-Miller*, 46 F.3d at 145.

In its opposition to the dismissal motion the plaintiff theorizes that further discovery might "elucidate Decorama's connection with the forum" and thereby reveal circumstances sufficient to sustain the exercise of general jurisdiction. Plaintiff's Opposition to Defendant's Motion to Dismiss (Docket No. 11) at 12. In reply, the defendant has submitted a supplemental affidavit of its president and sole shareholder, averring no relevant contact with Maine for five years other than the possibility that persons in Maine may have accessed the defendant's "web page" on the Internet. *See generally* Supplemental Affidavit of Rizal Chan ("Chan Supp. Aff.") (Docket No. 14). The question of whether to defer consideration of the motion to permit the taking of jurisdictional discovery is consigned to the court's discretion. *Noonan*, 1998 WL 29835 at \*10. I discern no basis for such a deferral in these circumstances. The supplemental affidavit appears to cover all of the relevant issues,<sup>1</sup> the defendant and its principal would presumably maintain a consistent factual posture should discovery initiatives be aimed toward them, and there is no basis for indulging what amounts to speculation on the part of the plaintiff that unspecified additional discovery would rebut Chan's

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<sup>1</sup> Indeed, the supplemental affidavit essentially responds to the proposed interrogatories the plaintiff has appended as an exhibit to its motion.

sworn statements concerning the defendant's contacts with Maine. Therefore, the motion is appropriately decided on the present record.

## **II. Factual background**

In light of the foregoing, the record reveals the following: The plaintiff and/or its predecessors-in-interest have been the owners since 1946 of the registered trademark "Pionite," employed in connection with certain "decorative laminate" products used in furniture and buildings. Affidavit of Douglas G. MacDonald ("MacDonald Aff.") (Docket No. 15) at ¶¶ 2-3. The defendant is in the business of selling home improvement products at retail from its store in Queens, New York. Affidavit of Rizal Chan ("Chan Aff.") (Docket No. 9) at ¶¶ 2-3. At some time in the past, the defendant may have sold the plaintiff's Pionite product at its store. MacDonald Aff. at ¶ 6.

The defendant at some point registered the Internet domain name "pionite.com" with Network Solutions, Inc. ("NSI"), which the complaint identifies as the entity responsible for assigning such designations. Chan Aff. at ¶ 9; Complaint (Docket No. 1) at ¶ 14. Thereafter, the plaintiff sought to reserve the same domain name, only to be informed by NSI that it had already been registered by the defendant. McDonald Aff. at ¶ 7.

The defendant has not made any actual use of the "pionite.com" domain name, which NSI has placed on hold pending the outcome of this litigation. Chan Aff. at ¶ 7; McDonald Aff. at ¶ 7. The defendant's "home page" on the World Wide Web, at the Internet address of "222.koreanpage.com/decoram/home.htm,"<sup>2</sup> contained no reference to Pionite when the web page

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<sup>2</sup> The defendant identifies the address of its web page as "www.koreanpage.com/decorama/home.htm." Chan Supp. Aff. at ¶ 14. The difference is not material.

was accessed by one of the plaintiff's attorneys. Affidavit of Donald A. Schurr ("Schurr Aff.") (Docket No. 12) and Exh. A thereto.<sup>3</sup> In early 1997, prior to instituting this lawsuit, the plaintiff contacted the defendant to state that the defendant is a Maine company and that it regarded itself as being harmed by the defendant's reservation of the "pionite.com" domain name. *Id.* at ¶ 3. In response, the defendant demanded \$20,000 to relinquish its reservation of the "pionite.com" address. *Id.* at ¶ 4.

During the five years preceding February 1998, the defendant has not solicited any business in Maine, retained any employees or agents in Maine, maintained a bank account in Maine, entered into any contracts for the purchase or sale of any merchandise in Maine, advertised any products or services in Maine, nor has it owned, leased or otherwise maintained a warehouse in Maine during the period. Chan Supp. Aff. at ¶¶ 2-7, 13. The defendant has no parent, subsidiary or sister company, or any other related company, doing business in Maine. *Id.* at ¶ 8. It has never been licensed to transact business in Maine and has never maintained a telephone listing or owned any property in the state. *Id.* at ¶¶ 9, 11-12. Other than in connection with this litigation, the president and sole shareholder of the defendant is aware of no correspondence the defendant has mailed to Maine in the five years prior to February 1998. *Id.* at ¶ 10. The defendant is unable to determine how many times its web page has been accessed by anyone in Maine. *Id.* at ¶ 14.

Certain other factual issues are in dispute. These issues are discussed fully, *infra*.

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<sup>3</sup> This exhibit consists of three pages that an attorney for the plaintiff characterizes as a "copy" of the defendant's web page. Schurr Aff. at ¶ 5. The exhibit gives the address, telephone number and "fax" number of the defendant's retail store. *Id.*, Exh. A at 1. The store's hours are listed, and there are lists of product categories and brand names apparently offered for sale by the defendant. *Id.* at 2-3. Although "Decorative Laminates" are listed as among the available categories, the word "Pionite" does not appear anywhere in Exhibit A. *Id.* at 3.

### III. Discussion

Although the Second Circuit has recently compared the application of established trademark law principles in a case involving the ever-expanding and constantly changing Internet to “trying to board a moving bus,” *Bensusan Restaurant Corp. v. King*, 126 F.3d 25, 27 (2d Cir. 1997), the law of general *in personam* jurisdiction appears to have kept pace. As noted recently by the District Court for the District of New Jersey, cases in which it is alleged that general jurisdiction exists by virtue of Internet activities fall into three categories. *Weber v. Jolly Hotels*, 977 F.Supp. 327, 333 (D.N.J. 1997). They are (1) cases in which the defendant actively does business on the Internet, (2) cases in which the defendant uses the Internet to exchange information with others and (3) cases involving “passive” web sites in which the defendant “merely provide[s] information or advertisements to users.” *Id.* (citations omitted). Although the extent to which the defendant’s web site has ever been accessed by users in Maine remains unknown, it is undisputed that this case represents the third type recognized by the court in *Weber*. The exercise of general personal jurisdiction in such cases is inappropriate because

a finding of jurisdiction . . . based on an Internet web site would mean that there would be nationwide (indeed, worldwide) personal jurisdiction over anyone and everyone who establishes an Internet web site. Such nationwide jurisdiction is not consistent with traditional personal jurisdiction case law.

*Id.* (citation and internal quotation marks omitted); accord *Smith v. Hobby Lobby Stores, Inc.*, 968 F. Supp. 1356, 1365 (W.D.Ark. 1997); cf. *Inset Sys., Inc. v. Instruction Set, Inc.*, 937 F.Supp. 161, 164-65 (D.Conn. 1996) (web site plus nationwide toll-free telephone number sufficient to satisfy “minimum contacts” test).

Specific personal jurisdiction is not so easily determined. It is undisputed that none of the

acts of consequence to this litigation arise out of any contact between the defendant and Maine. Indeed, the record reveals no contact between the defendant and Maine whatsoever, other than the unsubstantiated possibility that some Maine computer users have accessed the defendant's web site. However, the plaintiff invokes the jurisdictional principle set out by the Supreme Court in *Calder v. Jones*, 465 U.S. 783 (1984). *Calder* marks a significant exception to conventional principles of *in personam* jurisdiction.

The *Calder* case involved a Florida-based supermarket tabloid that published an allegedly libelous article about a California-based film and television actress. *Id.* at 784-86. The subject of the article and her husband filed suit in her home state alleging libel, invasion of privacy and intentional infliction of emotional distress. *Id.* at 785. The newspaper and its distributor answered the complaint but the author of the article and the editor of the newspaper sought dismissal for lack of personal jurisdiction. *Id.* at 785-86. Noting that the article in question "was drawn from California sources" and that "the brunt of the harm" was suffered in California, the Court determined that a California court properly asserted jurisdiction over the reporter and editor in light of the "effects" of their conduct in the forum state. *Id.* at 788-89 (quoting *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 297-98 (1980)) (other citation omitted). The Court observed that "[a]n individual injured in California need not go to Florida to seek redress from persons who, though remaining in Florida, knowingly cause injury in California." *Id.* at 790. The First Circuit has recently had occasion to discuss the *Calder* "effects" test, pointing out that it requires both "a tortious effect in the forum state" and a determination that the defendant or defendants intended to cause injury in the forum such that they could "reasonably anticipate being haled into court there." *Noonan*, 1998 WL 29835 at \*5 (quoting *World-Wide Volkswagen*, 444 U.S. at 297).

The plaintiff here draws the court's attention to *Panavision Int'l, L.P. v. Toeppen*, 938 F.Supp. 616 (C.D.Cal. 1996), in which the District Court for the Central District of California invoked the *Calder* "effects" test to assert personal jurisdiction in circumstances that bear significant similarity to those of the instant case. The Illinois-based defendant in *Toeppen* had reserved the domain name "Panavision.com" and used it for a web site that displayed aerial views of Pana, Illinois. *Id.* at 619. The plaintiff, owner of the "Panavision" trademark, contacted the defendant, who demanded \$13,000 to discontinue his use of the domain name. *Id.* The plaintiff thereafter asserted federal trademark and unfair competition claims as well as pendent state claims. *Id.* The federal court in California asserted jurisdiction in these circumstances because the defendant allegedly registered the domain name with the knowledge that the trade name used therein belonged to the defendant and with the intent to interfere with the defendant's business. *Id.* at 621. He thus "expressly aimed his conduct" at the forum state knowing that the "brunt" of the harm would also be borne there because the plaintiff and the industry it serves (the film industry) are based in California. *Id.* at 621-22. As another federal district court in this circuit did recently, see *Digital Equip. Corp. v. Altavista Tech., Inc.*, 960 F.Supp. 456, 470 (D.Mass. 1997), I find the legal analysis in *Toeppen* to be sound. The problem is the application of the *Calder* and *Toeppen* holdings to the jurisdictionally relevant facts of record.

The court confronts dueling affidavits. According to Donald A. Schurr, an attorney for the plaintiff, the plaintiff notified the defendant "as early as February 7, 1997" that the defendant was "impinging" on the plaintiff's rights in the Pionite trademark, that the plaintiff is a Maine corporation



and that, “[i]n response, Decorama demanded \$20,000 for its registration of pionite.com.”<sup>4</sup> Schurr Aff. at ¶¶ 2-4. According to Rizal Chan, president and sole shareholder of the defendant, the defendant’s purpose in registering “pionite.com” as a domain name was “to identify a website to market garments manufactured overseas,” a purpose obviously unrelated to decorative laminates, and that at the time the defendant registered the domain name “it did not know that Plaintiff had registered PIONITE as a trademark and did not know that Plaintiff was a Maine corporation or had a principal place of business in Maine.” Chan Supp. Aff. at ¶¶ 15-16.

If credited, the evidence adduced by the plaintiff via the Schurr Affidavit would be sufficient to sustain the plaintiff’s burden of proof on the “relatedness” and “purposeful availment” aspects of the jurisdictional inquiry. *See Boit*, 967 F.2d at 675. But when “the proffered evidence is conflicting and the record is rife with contradictions,” it may be appropriate for the court to require something other than a simple *prima facie* showing of jurisdiction by the plaintiff. *Id.* at 676. Such circumstances require “adapting the level of scrutiny to the exigencies of the individual case,” a “flexible approach” that nevertheless “demands circumspection in its application.” *Foster-Miller*, 46 F.3d at 141. The alternatives to the *prima facie* showing are (1) “embark[ing] on a factfinding mission in the traditional way, taking evidence and measuring the plaintiff’s jurisdictional showing

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<sup>4</sup> The defendant objects to this contention as an “improper reference to settlement discussions” that would be inadmissible as evidence under Fed. R. Evid. 408. Defendant’s Reply to Plaintiff’s Opposition to Defendant’s Motion to Dismiss (“Reply Memo”) (Docket No. 13) at 3 n.1. Rule 408 refers to “[e]vidence of conduct or statements made in compromise negotiations.” Fed. R. Evid. 408. Whatever contacts led to the statement in the Schurr Affidavit, when a party accused of a trademark violation responds to such an accusation by demanding money from the accuser, the conversation cannot reasonably be characterized as compromise negotiations. In any event, Rule 408 precludes evidence of such negotiations only when offered “to prove liability or for invalidity of the claim or its amount. . . . This rule . . . does not require exclusion when the evidence is offered for another purpose.” *Id.*

against a preponderance-of-the-evidence standard,” or (2) an “intermediate standard” in which the court “engage[s] in some differential factfinding, limited to probable outcomes as opposed to definitive findings of fact, thereby skirting potential preclusionary problems while at the same time enhancing the courts’ ability to weed out unfounded claims of jurisdiction.” *Id.* at 145-46. The latter method is appropriate when “the facts necessary to sustain personal jurisdiction are intimately bound up with facts necessary to establish the merits of the underlying claim.” *Id.* at 147.

This is such a case. A determination that the defendant innocently registered the domain name at issue for use in marking clothing overseas, and thus did not intend to cause any injury to the plaintiff in Maine, would preclude this court’s exercise of *in personam* jurisdiction. The complaint alleges wilful conduct on the part of the defendant as a basis for treble damages and punitive damages. *See* Complaint (Docket No. 1) at 6; 15 U.S.C. §§ 1117(b) 1125(2). The question of intent is thus also very much at the heart of the merits of the case.

Applying the intermediate standard, I recommend that the court make a provisional finding that the defendant probably intended to cause injury to the plaintiff in Maine by first registering the “pionite.com” domain name and then demanding \$20,000 to release the registration. The defendant deals in decorative laminates, the very sort of product embodied by the plaintiff’s Pionite trademark. The defendant’s assertion — that registration of “pionite.com” was an innocent act taken for the purpose of selling clothes overseas — is therefore worthy of some skepticism. Moreover, the defendant’s demand of \$20,000 behavior is more consistent with the cybersquatting at issue in *Toeppen* than with more benign uses of the Internet.

I make my recommendation fully mindful of the due process concerns expressed in *Foster-Miller*. The problem in *Foster-Miller* was that the trial court applied the intermediate standard

without adequate notice to the plaintiff and then dismissed the case on jurisdictional grounds. *Foster-Miller*, 46 F.3d at 148-49. Here, although the plaintiff has at least implied that some discovery might be in order prior to resolution of the jurisdictional issue, neither party has requested an evidentiary hearing. I conclude that no hearing, or special warning to the defendant that the intermediate standard applies, is required. The due process “mischief” at issue in *Foster-Miller* is not present when the court employs the intermediate standard to exercise (as opposed to declining to exercise) *in personam* jurisdiction, because “the defendant has the consolation of having been afforded a detailed demonstration, beyond a mere prima facie showing, of why the court deems it fair to exercise jurisdiction, at least provisionally.” *Id.* at 148. In other words, denial of the defendant’s dismissal motion deprives no party of its day in court while permitting the defendant to raise the question of personal jurisdiction again at trial if it so desires. *See Boit*, 967 F.2d at 675-76.

Before the court can take that step, of course, it is first necessary to consider the final stage of the jurisdictional inquiry, involving whether the exercise of jurisdiction would be reasonable in the circumstances and thus fully consistent with the requirements of due process. The reasonableness inquiry involves consideration of the so-called “gestalt” factors, which are:

(1) the defendant’s burden of appearing, (2) the forum state’s interest in adjudicating the dispute, (3) the plaintiff’s interest in obtaining convenient and effective relief, (4) the judicial system’s interest in obtaining the most effective resolution of the controversy, and (5) the common interests of all sovereigns in promoting substantive social policies.

*Nowak*, 94 F.3d at 713, 717 (citations omitted). The term “gestalt factors” refers to the principle that, in any given case, the factors “may neither be amenable to mechanical application nor be capable of producing an open-and-shut result. Their primary function is simply to illuminate the equitable dimensions of a specific situation.” *Foster-Miller*, 46 F.3d at 150. At this stage of the

analysis, the burden shifts to the defendant to convince the court that the gestalt factors militate against the exercise of jurisdiction. *Coolidge v. Judith Gap Lumber Co.*, 808 F.Supp. 889, 891 (D.Me. 1992).

The defendant addresses the gestalt factors only in its reply memorandum, taking the position that it is unreasonable to subject it to jurisdiction in Maine because it is the *plaintiff* that sells goods throughout the country and also happens to employ out-of-state counsel. The defendant also misapprehends the nature of its burden at this stage when it suggests that “[f]actors of reasonableness do not compel that jurisdiction be found in the State of Maine.” Reply Memo at 5. Whatever the scope of the plaintiff’s business, the fact that it is located in Maine certainly suggests that the judicial system in Maine has a legitimate interest in obtaining the most effective resolution of the controversy. Likewise, the plaintiff’s interest in obtaining convenient and effective relief is obviously served by allowing it to litigate in its home jurisdiction. *See Sawtelle v. Farrell*, 70 F.3d 1381, 1395 (1st Cir. 1995) (“a plaintiff’s choice of forum must be accorded a degree of deference with respect to the issue of its own convenience.”) (citation omitted). That the plaintiff chooses to employ counsel from outside Maine to assist it here is of no consequence. The gestalt factors certainly do not compel the exercise of jurisdiction here by a Maine court, but the defendant has not begun to meet its burden in persuading the court that forcing the defendant to appear in Maine would be unreasonable.

#### **IV. Conclusion**

For the foregoing reasons, I recommend that the defendant’s motion to dismiss for lack of personal jurisdiction be **DENIED**.



**NOTICE**

*A party may file objections to those specified portions of a magistrate judge's report or proposed findings or recommended decisions entered pursuant to 28 U.S.C. § 636(b)(1)(B) for which de novo review by the district court is sought, together with a supporting memorandum, within ten (10) days after being served with a copy thereof. A responsive memorandum shall be filed within ten (10) days after the filing of the objection.*

*Failure to file a timely objection shall constitute a waiver of the right to de novo review by the district court and to appeal the district court's order.*

*Dated this 20th day of February, 1998.*

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*David M. Cohen  
United States Magistrate Judge*